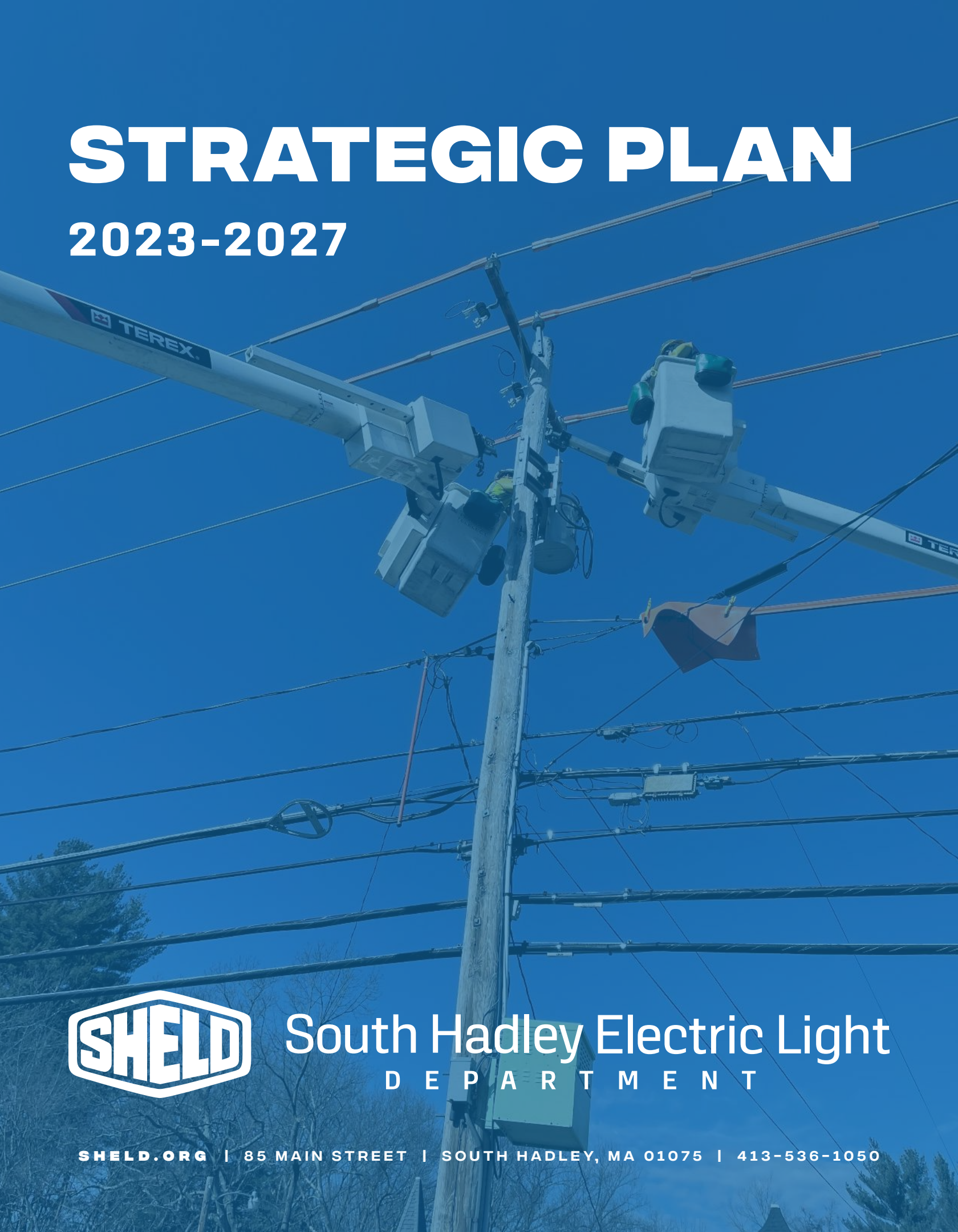
# STRATEGIC PLAN

## 2023-2027




SHELD

South Hadley Electric Light
DEPARTMENT

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## CHAPTER 1: EXECUTIVE SUMMARY

The South Hadley Electric Light Department (SHELD) is pleased to present this Strategic Business Plan which covers the years 2023 through 2027. This plan represents the joint efforts of SHELD's five-member elected Municipal Light Board and SHELD's management team and employees. All strategic plan development meetings were open to the public and posted in accordance with our plan values of transparency and community engagement. The collective group worked to identify critical initiatives for SHELD's future and to address rapid changes in the utility industry. This plan was developed initially in 2018 with the assistance of the American Public Power Association-affiliated consultant Hometown Connections.

As a municipally owned and governed electric utility with a 114-year track record of providing reliable electric service and a 10-year track record of providing reliable telecommunications service, SHELD plays a critical role in the town of South Hadley, Massachusetts. SHELD's customers range from a prestigious educational institution to agricultural operations, manufacturing businesses, municipal government, and the high-tech industry. The Town of South Hadley is located in the Pioneer Valley and is part of the Five College Network (FCN) of Smith College, Amherst College, University of Massachusetts, Hampshire College, and Mount Holyoke College. SHELD customers expect and receive highly reliable electric service with rapid recovery and response times. In recent years customers have expressed a growing desire for more renewable energy options, digitalization, and high-speed internet service. The Town and SHELD are financially stable with long-standing New England traditions.

This plan is focused on areas of importance to our elected board and the ratepayers they represent. The plan establishes a new mission, vision, and key themes to focus our attention.

# THE FIVE THEMES IDENTIFIED IN THE PLAN ARE:

**RELIABILITY**

**CUSTOMER ENGAGEMENT**

**COMMUNITY STEWARDSHIP/ENHANCED QUALITY OF LIFE**

**FINANCE**

**WORKFORCE**

## CHAPTER 2: PAST, PRESENT, AND FUTURE

The South Hadley Electric Light Department (SHELD) is a municipal electric utility established in April 1914. SHELD purchases and distributes electricity to 8,000 residential, commercial, industrial, and municipal customers and serves over 3,200 Fiber Optic Internet and phone customers in the Towns of South Hadley, Leverett and Shutesbury Massachusetts. Massachusetts General Laws, Chapter 164, govern SHELD as a municipally-owned utility. The Department of Public Utilities (DPU) also provides guidance to the utility. In 1997, the statute was amended due to electric utility industry deregulation. The statute acknowledges the Municipal Light Department's wholesale and retail sales options and permits the Department to retain and own generation assets.

In 2015, SHELD experienced a transformation with our board expansion from three to five members and, in 2017, its first change in General Manager in forty years.  SHELD has remained a highly reliable and financially stable utility for decades, receiving a Standard and Poor's credit rating upgrade from A+ to AA in 2017.  The rating agency specifically citing SHELD's stability, recent decreasing bond debt obligations in electric generation assets, and a fixed ability to make capacity payments for third-party power and robust liquidity. This investment grade credit rating is essential for a Municipal Light Plant (MLP) to participate in power supply contracting and is necessary to purchase power on the Independent System Operator (ISO-NE) wholesale market without having to post cash collateral.

Massachusetts municipal utilities, like SHELD, are facing historic changes including aggressive state renewable portfolio standards, growing customer owned distributed generation, cybersecurity threats, digitization of customer information, and expectations of low rates. SHELD has long-term Purchased Power Agreements (PPA's) which satisfy 80-100% of existing power demand needs. These PPAs are in force through the years 2045 and 2050 and have been paid for in full as of the year 2019. Thus, any significant state mandate for SHELD to acquire additional generation per new renewable energy portfolio standards would create an overabundance of generation (supply) and in turn an excess of power for our needs (demand). The management of power supply has the greatest financial impact on SHELD and therefore must be monitored carefully within the construct of our strategic initiatives. SHELD conducted a strengths, weaknesses, opportunity, and threats (SWOT) analysis during our Strategic Planning process to ensure we are addressing these industry challenges.

The future for utilities is one of electrification, digitization, and distributed generation. These trends are rapidly changing how SHELD, and utilities everywhere, will function in the future. SHELD has recently turned its focus to modernization of process and systems to better serve our customers and improve efficiencies. There are strong indications that the future of utilities will shift with the adoption of micro-grid technologies that allow customers to provide a large portion of their power through onsite distributed generation. SHELD has continued to invest in digitization of internal systems and cutting-edge Advanced Meter Infrastructure (AMI) technology. The significant investment in technology will position SHELD to keep pace with the rapid industry changes. In October of 2018, SHELD's Municipal Light Board voted to deploy fiber to the home/premise for South Hadley with a five-year construction plan designed to diversify SHELD's services and revenue.

# SHELD'S MISSION STATEMENT

**SHELD delivers highly reliable, responsive, and personal utility services at competitive rates while providing value to our community.**

# SHELD'S VALUES

TRANSPARENCY

SAFETY

TEAMWORK

INTEGRITY

RESPECT

FISCALLY RESPONSIBLE

ENVIRONMENTALLY RESPONSIBLE

# TRANSPARENCY

- We will create effective avenues of two-way communication to encourage transparency throughout the organization.
- We work together as an organization and with our stakeholders to serve our community.
- We are active in our community, providing leadership, time and other resources to organi zations that improve the quality of life.
- We encourage our employees to be actively involved in organizations and agencies that serve our community.

# SAFETY

- Empower all to speak up when conditions seem anything less than safe.
- Promote ownership and accountability for safety within the Department.
- Have an uncompromising commitment for the public and employees' safety.
- Promote public safety through ongoing education, training, awareness, and compliance.
- Support an environment in which the public and employees can be served safely.
- Everyone at SHELD is responsible for safety.

# TEAMWORK

- We are a cohesive unit that exists solely for the benefit of the community we serve .
- We believe teamwork is vital for success.
- We feel, act, and behave as one team.
- We will be accountable to each other and the communities we serve.

# INTEGRITY

- We are accountable, ethical, and honest in everything we do.
- We will protect and maintain the goodwill and trust our community has placed in us.
- We are loyal to the public interest and fairness to all ratepayers.



# RESPECT

- Give mutual respect to one another.
- Treat our customers with courtesy and respect.
- Be good listeners and effective communicators while honoring the needs and perspectives of others.
- Work toward solutions which are balanced and equitable.

# FISCALLY RESPONSIBLE

- SHELD will operate in ways that ensure short and long-term financial stability.
- We focus on maximizing value for all customers over the long term.
- We manage our physical assets to maximize reliability at the lowest possible cost.
- Provide consistent reporting, audits, analysis.
- Keep financial systems updated and maintained.
- Ensuring all reporting with regulatory bodies are compliant.
- SHELD will remain current on power supply trends, threats and opportunities.

# ENVIRONMENTALLY RESPONSIBLE

- SHELD will actively focus its programs, behaviors, and power supply to be environmentally responsible.
- We offer programs and education to help our customers reduce their impacts on the environment.
- SHELD will ensure equipment and oil spills are handled in accordance with environmental guidelines with minimal impacts on our local environment.

# SHELD'S VISION STATEMENT

**To provide innovative and diversified solutions that anticipate the evolving needs of our customers and the local, regional and global communities.**

**Reliability:** SHELD will design, build, and maintain systems to ensure continuity of service which meet customer expectations while maintaining financial stability. SHELD has a well built and maintained infrastructure with a proven history of reliability, as demonstrated by consistently achieving industry best performance metrics. Modernizing our meter fleet, combined with a future-planned Supervisory Control and Data Acquisition (SCADA) system, will allow for enhanced digital control and outage management. Prior to 2018, there had been no circuit ties with neighboring distribution systems which limited SHELD's resiliency during potential catastrophic outage events. SHELD has focused considerable effort on increasing reliability and redundancy by establishing multiple electric and fiber optic connections. SHELD will maintain and enhance system reliability and redundancy of power sources, maintain five-year average scores of SAIDI, CAIDI, SAIFI, maintain a favorable comparison to other utilities reliability, and increase system redundancy where feasible.

SHELD has a stable long-term power supply portfolio with 80-100% of our supply needs provided through owned nuclear generation assets. SHELD's long-term asset ownership provides price certainty due to retired debt service in 2019. The contractual guarantees for these assets extend through 2045 and 2050. The existing nuclear power owned by SHELD is carbon emissions free and below current market average. Risk of rising transmission and capacity prices are motivating many municipal utilities like SHELD to invest in battery storage and peak shaving generation to mitigate the volatility of peak load expenses such as capacity and transmission. SHELD will need to continue to investigate and incorporate economic and environmentally beneficial assets to contend with rising peak energy costs as well as growing demand from increased electrification.

**Customer Engagement:** SHELD will work together with our stakeholders to better engage with our community.

- We are active in our community, providing leadership, time, and other resources that improve the quality of life.
- We encourage our employees to be actively involved in organizations and agencies that serve our community.
- SHELD has and will continue to enhance the customer experience to maintain and modernize systems to support improved two-way communications.

SHELD has and will continue to enhance and improve the customer experience. SHELD has made a significant effort to improve existing customer engagement through digitization of multiple customer platforms including text power alerts. SHELD's strategic focus is to increase and speed up our customers' ability to transact business and provide feedback on our performance and our services. Below are general objectives for SHELD to improve customer engagement:

- Periodic customer surveys
- Informal community feedback
- Improve outreach and notifications to our community
- Develop and improve customer tools to engage customers

**Customer Outreach and Communications:** SHELD will continue to televise Municipal Light Board meetings and to enhance communications with customers through regular newsletters, social media, website content, and online service options. Modern communication will remain an area of focus for all strategic initiatives. SHELD has integrated digital solutions (i.e. electronic work orders) to ensure all internal communication can be accessed remotely and instantaneously. Advanced Meter Infrastructure (AMI) will become a cornerstone for SHELD's strategic ability to provide real-time information to our customers including interval data, demand response, peak shaving, and outage mapping to ensure rapid communication during critical conditions. SHELD's customer outreach and communications objectives are as follows:

- Quarterly newsletter
- Public safety education program
- Televising board meetings
- Participation in public events
- Sponsorships
- Digital notifications

**Community Stewardship/Enhanced Quality of Life:** SHELD will provide services and solutions that will improve the communities we serve, while continuing reliable service at competitive rates.

- We strive to improve the communities where we work and live.
- Staff is encouraged to find department improvements which enhance quality of life.
- We will institute technologies and system upgrades which improve our community.



SHELD will work strategically to investigate and integrate programs and services which will help the South Hadley community development and enhance the quality of life for our customers. SHELD provides residential, commercial and industrial NetZero efficiency programs which provide annual rebates for customers to invest in efficient technologies which reduce their electric costs. SHELD has also integrated multiple programs targeting renewable energy and greenhouse gas reduction (i.e. Connected Homes, EV Rebates, Green Choice and zero-percent interest home energy Conversion Loans) in South Hadley. Telecommunications services for municipal and business customers have been provided since 2006 and have been Board approved for expansion to residential customers as of December 2018. Residential fiber deployment is a key strategic goal which will add significant quality of life improvements to the citizens of South Hadley. SHELD will work to integrate the following community focused initiatives:

- Informal community feedback
- Improve outreach to community
- Develop and improve customer metrics
- Community Forums
- Expansion of telecommunications services

**Finance:** SHELD's current financial position is stable. SHELD has strong reserves and is fortunate to have long-term future projected price certainty, in one of our most significant power supply costs: Generation. The projected town-wide residential fiber optic expansion is projected to have a positive impact on long-term electric rates. SHELD's strategic objectives are as follows:

- Maintain SHELD's AA financial rating.
- Maintain annual clean audit reports.
- Maintain adequate cash reserves and a cash reserve policy.
- Provide consistent profitability.
- Provide clear and consistent reporting.

**Workforce:** SHELD recognizes its workforce is its most important asset and will invest in the retention of employees by supporting a healthy work environment:

- Ensure competitive compensation.
- Provide training and policies which promote a healthy work environment.
- Implement diversity, equity and inclusion.

In order to respond to a rapidly changing environment, SHELD will need to recruit, develop, and empower a highly competent workforce. This is one of the most important parts of our strategic plan, as it is believed that the right people are SHELD's most important asset. The deployment of fiber, construction of a new facility, and implementation of new processes to improve and enhance our ability to serve our services and meet their expectations require talent and expertise.

SOUTH HADLEY ELECTRIC LIGHT

SHELD South Hadley Electric Light DEPARTMENT

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WE ARE A CRIME REPORTING COMPANY

CRIME BUSTER

SHELD's 2023 resource outlook indicates retirements of key personnel within the next three to five years and requires succession of critical workforce positions. SHELD has begun hiring for critical positions to provide two-to-three-year development training for those critical areas within the Department. SHELD will continue to:

- Conduct employee surveys.
- Develop training programs for all employees.
- Empower existing employees to succeed.
- Ensure accountability to each other and customers.
- Explore outside recognition/review programs.
- Ensure sound knowledge management transfer.
- Recruit proactively for anticipated openings.

**Customers:** South Hadley's most recent data indicates a population of 18,150, with an estimated 2021 median household income of $73,601, with top employment industries consisting of education-21.7% and healthcare-14.6%. The mean home price in South Hadley is listed at $354,767. SHELD's electric customer base is predominately residential as listed below:

| | | RATE BASE | COMPOSITION |
|---|---|---|---|
| RATE CLASS | SCHEDULE | CUST % | COST % |
| Residential Service | RS | 73.2% | 44.4% |
| Residential Space Heating Service | RSHS | 14.5% | 11.5% |
| Small General Service | SGS | 9.6% | 11.0% |
| General Demand Service | GDS | 0.6% | 9.3% |
| Large General Service | LGS | 0.2% | 22.7% |
| Other | | 1.9% | 1.1% |
| Total | | 100% | 100% |

South Hadley Electric's customer demographics have remained stable, and no significant changes are expected in the foreseeable future. The Town of South Hadley is known for financial stability, quality education, and favorable living conditions.



# CHAPTER 6: STRATEGIC GOALS

- Meet or exceed APPA five-year average scores of SAIDI, CAIDI, SAIFI **– Reliability**
- Maintain a favorable comparison to other utilities reliability **– Reliability**
- Increase system redundancy (Titans Pier Rd 2023) **– Reliability**
- Provide annual Operations and Safety training**–Workforce**
- Perform customer surveys **– Customer Engagement**
- Continue five-year fiber deployment**– Community Stewardship/Enhanced Quality of Life**
- Promote SHELD and Fiberspring brand awareness and offerings**–Customer Engagement**
- AMI Meter Implementation (3,000 for 2023) **– Reliability**
- Maintain SHELD's AA-Financial rating **– Finance**
- Maintain competitive electric rates within 5% of state average **–Finance**
- Maintain annual clean audit reports **– Finance**
- Maintain adequate cash reserves and a cash reserve policy **– Finance**
- Provide consistent profitability **– Finance**
- Provide clear and consistent reporting **– Finance**
- Conduct employee surveys **– Workforce**
- Implement Diversity and Inclusion training **– Workforce**
- Ensure succession for key SHELD resources and knowledge transfer **– Workforce**

SHELD